
Political connections and cash holdings in financiall

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Abstract: This study examined the association between political connections and corporate cash holdings, with a focus on financially-constrained firms. Using a unique dataset of the top 500 publicly listed firms in Malaysia as determined by market capitalisation for the years 2001–2004, this study measured political connections based on informal ties and government supports. The empirical results of this study show that firms with financial constraints have a lower level of cash holdings, while politically connected firms hold more cash. However, politically connected firms with financial constraints hold more cash. Taken together, this study shows that financially constrained firms are relatively conservative in their cash holdings when they are politically connected even though they are generally perceived as risky